



The State of New Hampshire
Department of Environmental Services

Thomas S. Burack, Commissioner



January 26, 2016

The Honorable Robert Introne, Chair
House Science, Technology, and Energy Committee
Legislative Office Building, Room 304
Concord, New Hampshire 03301

Re: House Bill 1691 relative to the electric renewable portfolio standard

Dear Chair Introne and Members of the Committee:

Thank you for the opportunity to comment on House Bill 1691, relative to the electric renewable portfolio standard (RPS). House Bill 1691 would repeal the RPS effective December 31, 2020 and would amend four sections of New Hampshire's RPS statute (RSA 362-F *Electric Renewable Portfolio Standard*) effective upon passage. The Department of Environmental Services (DES) opposes this bill.

New Hampshire (NH) is one of twenty-nine states to implement an RPS. Adopted in 2007 (HB 873, *An Act establishing minimum renewable standards for energy portfolios*), the RPS was the result of a thorough and deliberate two year stakeholder effort involving the state's business interests, environmental organizations, utilities, renewable electricity suppliers and developers, and other energy interests. The existing four renewable energy certificate (REC) classes represent a delicate balance that was arrived at through this deliberative process and are designed to encourage the development of new renewable resources while preserving vulnerable existing sources. Supporters recognized that renewable energy generation technologies provide fuel diversity to the state and New England. This displacement of fossil fuels by local renewable fuels and resources helps stabilize energy costs by reducing exposure to volatile gas and oil prices. Increased use of renewables also reduces emissions of air pollutants, thereby improving air quality and protecting public health. The resulting widespread support for the RPS was reflected in broad bipartisan support for adoption in the General Court (253 to 37 in the House of Representatives and a unanimous 24-0 vote in the Senate). Repeal of the RPS is unwarranted, and would contradict the policy of incentivizing increases in renewable energy, as reflected in the 2014 *"New Hampshire 10-Year State Energy Strategy"*¹.

The changes proposed in HB 1691 would promote instability and lack of certainty in the RPS program for the regulated community. It should be noted that the RPS statute was the subject of legislation and significantly revised in both the 2012 (SB 218) and 2013 (HB 542) sessions. Numerous studies and reports have concluded that such instability disrupts developing markets

¹ <http://www.nh.gov/oep/energy/programs/documents/energy-strategy.pdf>

and decreases the economic benefits of enhancing the use of in-state renewable energy resources, including;

- the HB 542 RPS Study Committee (fall, 2013) concluded that *"...after extensive debate and changes to New Hampshire's RPS law in the 2012 and 2013 legislative session, it is appropriate to see how those changes impact the production of renewable energy in New Hampshire and New England. The committee thus recommends no further legislation at this time."*
- the September 2014 *New Hampshire 10-Year State Energy Strategy* (Senate Bill 191, 2013) notes that *"frequent changes to the RPS in recent years have disrupted the market's development"* and *"to realize the full economic and security benefits of in-state energy, the State must recommit to a strong and stable RPS."*
- the November 2012 *Final Report on the New Hampshire Independent Energy Study* from the Energy Efficiency and Sustainable Energy Board (pursuant to SB 323, 2010) noted the need for a *"clear, coordinated, and consistent policy and program landscape"*, and
- a 2011 Public Utilities Commission (PUC) review of the RPS program², including several meetings to seek market information and stakeholder input, concluded that the state should: *"Maintain the existing class obligations in favor of policy consistency and predictability for the renewable energy industry, particularly given the inability of NH to significantly affect the regional REC market and the potential for increased rate impacts if the class obligations were to increase."*

The market for NH RECs is complex and highly influenced by the regional nature of the New England electric "grid" and differing state RPS requirements. Energy supply projects require long-term planning and, therefore, benefit from long-term certainty in the market. Absent such certainty, developers' ability to secure financing supported by anticipated REC income is significantly impaired. The New Hampshire Department of Environmental Services (NHDES) feels that long term market stability is the best solution for ensuring compliance with the RPS, as the goal of the program is to see increased development of renewable resources in the region, as opposed to alternative compliance payments. Future revisions should be based on sound market information and analysis, and carefully consider any long term implications.

HB 1691 would also amend the statute by redefining Class I (New) renewable energy as sources that began operation after January 1, 1998, rather than 2006. While this change would make NH's RPS more consistent with MA's RPS and regional consistency is generally positive, NHDES is unsure of how many additional sources this change would include and how significant an effect allowing additional sources would have on the market. Since NH's RPS was adopted in 2007, it may be inappropriate to reach back to 1998 for expanded eligibility.

HB 1691 would also lower the "useful thermal energy" percentage requirements for 2015 and 2016 to 0.4%, rather than 0.6% and 1.3% respectively, and from 2017 through 2023 would increase from 0.4%, rather than 1.3%, by 0.1% annually. Thermal REC sources are getting built.

² PUC Report dated November 1, 2011 <http://www.puc.nh.gov/Shas/PreviouslySustainable%20Energy/RPS/RPS%20Review%202011.pdf>

NHDES sees no reason to reduce the thermal REC requirements. As the revised thermal obligation would revert to Class I electrical requirements, a potential negative, though unintended, consequence of this revision would be that ratepayers

In addition, HB 1691 would amend reporting and information collection requirements. The NEPOOL Generation Information System is an already well-established tracking system that discloses certain information to the public. NHDES sees no reason to amend reporting and information collection requirements at this time.

Moreover, HB 1691 would amend the Alternative Compliance Payment (ACP) for Class I from \$55 to \$56. If the intent of this change is to be more consistent with the MA RPS, then NH would support such a change. However, the 2015 MA RPS Class I ACP was \$67.07 and it is adjusted annually. NHDES is available to work with the HB 1691 sponsors to develop language on this topic that would be more consistent with the MA RPS.

Thank you for your consideration in this matter. If you have any questions or require further information, please contact either Craig Wright, Director of the Air Resources Division (craig.wright@des.nh.gov, 271-1088) or Michael Fitzgerald, Assistant Director (michael.fitzgerald@des.nh.gov, 271-6390).

Sincerely,



Thomas S. Burack
Commissioner

cc: Sponsors of HB 1691: Reps. Vose, D.Thomas, Vadney, Belk, Fromuth,

